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TAGS: [EAID](#) [ECON](#) [PREL](#) [PGOV](#) [GG](#) [MD](#) [LG](#)
SUBJECT: LATVIA LOOKS TO MAJOR INCREASE IN DEVELOPMENT
FUNDING

Classified By: Ambassador Catherine Todd Bailey. Reason: 1.4 (d)

11. (C) SUMMARY Latvia is shifting from being a recipient of foreign aid to being a donor. Their recently published development cooperation policy plan for 2007, envisions a roughly four-fold increase in development assistance, focused on Georgia and Moldova, with additional assistance to Ukraine, Belarus, Afghanistan and Kosovo. Although the funding remains small in comparison with large donors and will not be fully approved until later in the year, the plan is evidence that Latvia is reorienting its foreign policy perspective outward and is beginning to think of a foreign policy commensurate with its EU and NATO membership. END SUMMARY

12. (U) BACKGROUND

In 2006, Latvia's development budget was 150,000 Lats, with 80% of those funds going to Moldova. Latvia's recently published foreign policy strategy notes that, "Latvia has demonstrated its readiness to become actively involved in the resolution of global problems: eliminating poverty, strengthening democracy, limiting the spread of disease, ensuring sustainable environmental development, and promoting gender equality and the universal availability of education." The EU's commitment to progressively increase financing for developmental cooperation is binding for Latvia, and the country considers itself to be in a position to transfer its reform experience to the countries of Eastern Europe. By 2010, Latvia would like 0.1% of its GDP to go towards foreign development assistance in accordance with EU guidelines.

13. (U) SPENDING BREAKDOWN FOR 2007

The proposed budget for 2007 earmarks 770,000 Lats (approximately US\$1.44 million) for development cooperation projects. This is an increase of 620,000 Lats (roughly US\$1.1 million) over 2006. Moldova, Georgia, Belarus and Ukraine are the key targets for this assistance. The goals for this funding in recipient countries are: Reforming public administration, municipal, and defense systems; enhancing integration with the European Union and NATO; stimulating the development of democratic and civil society, health, environmental protection; and, implementing development assistance projects where Latvia participates in peace-keeping missions.

14. (U) In allocating the proposed 2007 development funding, the GOL is looking to spend about 77,000 Lats (US\$140,000) in a new initiative to finance micro projects in Georgia, Ukraine, and Moldova. The Latvian Embassies in these countries will decide which projects to select, in a program similar to the USG's Ambassador's Self-help Fund. The GOL would also like to finance projects in Belarus; however, last year they were unable to find reliable partners and suspect GOB restrictions will continue to preclude this cooperation.

Another 663,000 Lats (roughly US\$1.2 million) will be used for grant and technical assistance projects in Moldova, Georgia, Belarus, and Ukraine focused on the above goals. Given the relatively small amount of money available to the GOL, they will look to continue cooperative efforts with the UK and Canada to co-fund projects where it makes sense to do so. Another 30,000 Lats (US\$55,000) are marked for civil assistance projects in Afghanistan and Kosovo in cooperation with the Ministry of Defense. These are entirely civilian projects to be conducted by the MFA to build goodwill where Latvian troops are located, but there is a "firewall" between military and development projects and the military cannot be directly involved in spending this money.

15. (C) COMMENT: We recognize that the amounts are small but this proposal highlights Latvia's shifting role from recipient to donor of development funds and is commensurate with its obligations as a member of the EU and NATO. The Latvians want to be active players, but are realistic about the impact they can have given their small size. They have wisely targeted countries of greatest interest to them for their assistance.
Bailey